



CCL PRODUCTS (INDIA) LIMITED

ANNUAL REPORT 2005-2006





CCL PRODUCTS (INDIA) LIMITED

45TH ANNUAL GENERAL MEETING

Saturday, 30th September, 2006

at 11.00 A.M

Duggirala - 522 330

Guntur Dist

Andhra Pradesh

INDIA

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(Subsidiary Company)**

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CCL PRODUCTS (INDIA) LIMITED

Company Information

Board of Directors:

Mr. B N Jayasimha IAS (Retd.),
 Mr. I J Rao IRS (Retd.)
 Mr. N Balakrishna Iyer
 Mr. Vipin K Singal
 Mr. Jonathan T Feuer
 Mr. Ian Breminer
 Mr. Gerard Sierro
 Mr. C Srishant, Executive Director
 Mr. C Rajendra Prasad, Chairman & Managing Director

Auditors

M. Anandam & Co.,
 7 'A', Surya Towers
 Sardar Patel Road
 Secunderabad – 500 003.

Internal Auditors

Ramesh & Co.,
 H.No: 6-3-661/B/1
 Sangeeth Nagar,
 Somajiguda
 Hyderabad – 500 082.

Registered Office & Factory:

Duggirala, Guntur Dist - 522 330
 Andhra Pradesh, India
 Ph: 08644 277294 Fax: 08644 277295
 www.cclproducts.com

Bankers

ICICI Bank Ltd.
 State Bank of India
 Canara Bank
 Rabo Bank

Registrars & Share Transfer Agent (Physical & Demat)

Bigshare Services Pvt Ltd
 G-10, Left Wing, Amrutha Ville,
 Somajiguda, Hyderabad 500 082
 Ph: 040 23374967, Telefax : 040 23370295

Board Committees

Audit Committee

Mr. B N Jayasimha -Chairman
 Mr. I J Rao
 Mr. N Balakrishna Iyer

Shareholders ' / Investors ' Grievance Committee

Mr. I J Rao - Chairman
 Mr. B N Jayasimha
 Mr. N Balakrishna Iyer
 Mr. C Rajendra Prasad

Remuneration Committee

Mr. B N Jayasimha
 Mr. N Balakrishna Iyer
 Mr. C Rajendra Prasad



CCL PRODUCTS (INDIA) LIMITED

NOTICE

Notice is hereby given that the 45th Annual General Meeting of the Company will be held on Saturday, 30th September, 2006 at 11.00 A.M., at the Registered office of the Company at Duggirala, Guntur District- 522 330 Andhra Pradesh to transact the following items of business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2006 and the Balance Sheet as on that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare final dividend confirming the interim dividend paid for the financial year 2005-06.
3. To appoint a director in place of Mr. B.N.Jayasimha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr.Vipin K Singal who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board of Directors

Hyderabad
29th August, 2006

Sd/-
D S Rao
Secretary

NOTES FOR MEMBERS ATTENTION:

1. **A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on poll instead of himself and such proxy need not be a member of the Company.**

Proxies in order to be effective must be received by the Company at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. The Register of Members and Share Transfer Books of the Company in respect of Equity Shares will remain closed from 21st September, 2006 to 30th September, 2006 (both days inclusive).
3. M/s.Bigshare Services Pvt. Ltd, G -1 Left wing, Amrutha Ville, Somajiguda, Hyderabad - 500 082 is the Share Transfer Agent (STA) of the Company. All communications in respect of share transfers and change in the address of the members may be communicated to them.
4. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the Share Transfer Agent/Company.
5. Members holding shares in physical form are informed to furnish their bank account details to the STA to have printed the same on the dividend warrants so as to avoid fraudulent encashment.



CCL PRODUCTS (INDIA) LIMITED

Details of Directors seeking appointment / retiring by rotation and seeking re-appointment (In pursuance of Clause 49 of the Listing Agreement)

Name of the Director	: Mr. Vipin K Singal
Date of Birth	: 25-01-1949
Occupation	: Business
Expertise in specific functional areas	: Rich experience in the field of business and management as he has been in the business of traveling & tourism since several decades.
Directorships in other Companies	: Delhi Express Travels (P) Ltd.
Committee positions held in other Companies	: -NIL-
Shareholding in the Company	: 500

Brief Profile:

Mr. Vipin K Singal did his Graduation in Agricultural Engineering from Punjab Agricultural University and leads Delhi Express Travels Group, engaged in International Air Tickets - Business and Leisure, Incentives, Inbound Tourism, Outbound Holidays, Cruises, Distribution of Hotels & Resorts in India, Domestic Tourism and promotion & marketing of Eurail in India. He is associated with travel and tourism industry for the last 3 decades.

Name of the Director	: Mr.B.N.Jayasimha
Date of Birth	: 10-05-1928
Occupation	: IAS (Retd.)
Expertise in specific functional areas	: Held various senior positions in the Government of India & A.P., and worked as Managing Director for several Government Companies during his tenure of his service
Directorships in other Companies	: -NIL-
Committee positions held in other Companies	: -NIL-
Shareholding in the Company	: -NIL-

Brief Profile:

Mr. B N Jayasimha joined the Indian Administration Service (IAS) in April, 1952 and retired as Special Chief Secretary to Government of Andhra Pradesh in 1986. During his service, he worked as Collector of District Magistrate; Secretary to Governor of Andhra Pradesh; Managing Director of Nizam Sugar Factory; Vice-Chairman and Managing Director of Andhra Pradesh Industrial Investment Corporation; Chairman and Managing Director of Indo – Nippon Prevision Bearings Company; Principal Secretary, Transport and Road & Buildings Department; Principal Secretary, Revenue Department and Special Chief Secretary to Government of Andhra Pradesh.

During his tenure with Government of India, he was Joint Secretary to the Cabinet, Cabinet Secretariat; Joint Secretary, Department of Industry; Additional Secretary, Department of Civil Supplies; Development Commissioner, Small Scale Industries; Additional Secretary, Ministry of Defence. During his service, he has the experience of working at policy formulations at Government level as well as direct in charge of management of public undertakings-developmental as well as manufacturing.



CCL PRODUCTS (INDIA) LIMITED

Directors' Report:

Dear members,

Your directors submit their report for the financial year ended 31.03.2006:

(Rs.in Lakhs)

Financial Performance:	2005-06	2004-05
Gross Income	15000.84	11091.84
Gross Profit	4481.86	3358.12
(before Interest, Depreciation & Tax)		
Less:		
Interest	181.81	94.73
Depreciation	423.20	217.26
Prior Period Expenses	4.74	-
Provision for Income Tax	215.62	13.00
Fringe Benefit Tax	13.74	-
Deferred Tax	87.22	-
Net Profit	3555.53	3033.13
Profit b/f	456.34	374.45
Balance available for appropriation	4011.87	3407.58
Provision for dividend	532.11	399.08
Provision for dividend tax	74.63	52.16
Transfer to General Reserve	2500.00	2500.00
Net Profit c/f to Balance sheet	905.13	456.34

Company Performance:

During the year under review your Company has sold 6,811 Mt. of instant coffee as against 5,864 Mt. in the previous year. Turnover of the Company has grown from Rs.110.92 Crores to Rs. 150.00 Crores. The net profit of the Company increased to Rs.35.56 Crores compared to Rs.30.33 Crores in the previous year.

Dividend:

The Board of Directors recommended a final dividend of 20% on equity shares of Rs.10/- each for the year subject to the approval of shareholders. Together with the interim dividend of 20% paid on 30th January, 2006 the total dividend for the year 2005-2006 works out to 40% as against 30% in the previous year.

Expansion:

Your Company has successfully set-up Freeze Dried Coffee manufacturing plant and commenced production. It is first of its kind in India. With this achievement and taking into account the response from the customers the Company is expanding its Freeze Dried plant capacity. Apart from this the Company is also expanding its Spray Dried Coffee capacity.

Service to the Community:

Your company has responded to social welfare causes and philanthropic activities in the areas of education, sports, cultural and natural calamities.



CCL PRODUCTS (INDIA) LIMITED

Statutory Auditors:

The present Statutory Auditors, M/s. M. Anandam & Co., Chartered Accountants, Secunderabad, the auditors of the Company retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for reappointment. The Company has received the certificate U/s.224(1B) of the Companies Act, 1956 from M/s.M.Anandam & Co., that their appointment, if made, would be in compliance with the provisions of said section.

Internal Auditors:

Your Board of Directors has appointed M/s. Ramesh & Co., Chartered Accountants, Hyderabad as Internal Auditors. The Internal Auditors are submitting their reports on a quarterly basis. M/s.Karvy & Co., Chartered Accountants, Mumbai have been appointed as consultants for Transfer Pricing under Income Tax Act, 1961.

Directors:

In accordance with the provisions of the Company's Articles of Association Mr. B.N.Jayasimha and Mr. Vipin K Singal retire by rotation and being eligible, offer themselves for re-appointment.

Fixed Deposits:

Your company has not accepted any fixed deposits and as such no amount of principal or interest was outstanding as on the date of Balance sheet.

Claims:

The Company's claims for the refund of differential interest between the applicable rates for export packing credit and actual rates charged for the working capital by State Bank of India and Canara Bank, since 1995-96 to 1998-99 amounting to Rs.208.40 Lakhs is being pursued by the Company. The Company will account for the refunds after actual receipts.

Directors' Responsibility Statement:

In terms of Section 217 (2AA) of the Companies Act, 1956, the directors of the Company confirm the following with regard to Annual Accounts, Accounting Policies, maintenance of accounting records etc.

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2005-06 and of the profit or loss of the company for that period;
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) That the annual accounts had been prepared on a going concern basis.

Management Discussion & Analysis

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is set out as an Annexure-I to this report.



CCL PRODUCTS (INDIA) LIMITED

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

A statement of particulars of the conservation of energy, technology absorption and foreign exchange earnings and outgoings is given as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is enclosed as a Annexure-II to this report.

Particulars of Employees:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report and is given in the Annexure-III.

Corporate Governance:

The Company has been making every endeavor to bring full transparency in the conduct of business. As per the requirements of Listing Agreement with the Stock Exchanges a compliance report on Corporate Governance for the year 2005-2006 and a Certificate from the Auditors of the Company are furnished as a part of this Annual Report.

Human Resources:

Your Company continues to attract and retain talent of highest quality. The enabling and empowering work environment motivate the employees to deliver high performance. Their total commitment is the driving force behind the Company's success and vision. The Company appreciates the spirit of its dedicated team of employees.

Acknowledgments:

The directors of your Company express their gratitude to the bankers, government agencies, suppliers, clients, collaborators and the shareholders of the Company for their continuous support.

Further, your directors are glad to place on record their appreciation of the commitment and contribution of the employees at all levels of the company who put in hard work and are dedicated to the growth, prestige, development and prosperity of the company.

On behalf of the Board

Sd/-

C.Rajendra Prasad

Chairman and Managing Director

Hyderabad
29th August, 2006



CCL PRODUCTS (INDIA) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Annexure-I

BUSINESS REVIEW:

Overall business activities of your Company have increased in the financial year 2005-06. Your company has established itself among its clients as a manufacturer of high quality Instant Coffee at competitive prices. The Company manufactures several blends of coffee and exports to many countries. In the coffee business, consistency of quality is most important. The essence of the business lies in creating blends by using the right mix of raw materials. Our efforts on innovation and creation of value for the consumer, coupled with an aggressive approach towards efficiency enhancement, resulted in the creditable performance in the financial year 2005-06.

- ◆ During the year under review the sales of your Company grew from Rs.110.92 Crores to Rs.150.00 Crores.
- ◆ Its Profit in the current year is Rs.35.56 Crores as against Rs.30.33 Crores in the corresponding previous financial year.
- ◆ Earnings per share (EPS) for the year rose to Rs. 26.73 from Rs.22.80 in the previous year.

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Coffee grows between altitudes of 25N to 25S but requires very specific environmental conditions for commercial cultivation, such as temperature, rainfall, sunlight, wind and soils. These requirements vary according to the different varieties of coffee that are grown.

Coffee is the highest traded consumable commodity in the world. Over 400 billion cups of coffee are consumed every year. Its cultivation, processing, trading, transportation and marketing provides employment for millions of people all over the world. For many of the world's developing countries, exports of coffee account for a substantial part of their foreign exchange earnings. In some cases the percentage is over 80%.

India ranks sixth in the world coffee production and has created a niche for itself in the international market. Italy is the largest export destination for Indian Coffee.

Karnataka, the home of Indian Coffee is the largest producer of the finest varieties of coffee and accounts for 56% of India's coffee output. Other States traditionally producing coffee are Tamilnadu and Kerala. Non-traditional areas like Andhra Pradesh, Orissa and North Eastern Region also produce coffee.

EXPANSION PLANS:

Your Company is in the midst of major expansion plans of the capacity of Spray Dried and Freeze Dried Instant Coffee. It is consistently increasing its Spray Dried Capacity and diversifying its product mix to include Freeze Dried Coffee and other related products.

OUTLOOK:

Positive Outlook of the industry and vision of the management are taking the Company to a position of a major player in the international market. CCL's capacity will increase significantly by end of FY'06-07. CCL's vision is to expand across the globe and move closer to its end user clients. Being a Specialist manufacturer for private labels, the Company's business model is relatively less sensitive to movements in coffee price. CCL is planning to enter new markets through launching new blends. It aims at improving marketing network and blends for its products and to set new standards in coffee production to achieve enhanced customer satisfaction.